

Message Text

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ACTION EB-08

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STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01

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TO SECSTATE WASHDC PRIORITY 0407

INFO AMEMBASSY OTTAWA

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USMTN

PASS STR (STARKEY) AND USDA (SAYLOR)

STR PASS CODEL

E.O. 11652: N/A

TAGS: MTN, ETRD

SUBJECT: AGRICULTURAL BILATERAL WITH CANADA - MAY 26

1. CANADIAN AGRICULTURAL OFFERS TO U.S. WERE REVIEWED IN MAY 26 BILATERAL BETWEEN U.S. (KOENIG, HAMERSCHLAG, ET AL) AND CANADA (GIFFORD, WRIGHT, ET AL). DISCUSSION SPECIFICALLY EXCLUDED ALCOHOLIC BEVERAGES AND FISH. U.S. REQUESTS COVERED \$230 MILLION OF 1974 CANADIAN TRADE (CANADIAN IMPORT BASIS) COMPARED WITH \$1,280 MILLION TOTAL U.S. AGRICULTURAL EXPORTS TO CANADA SAME YEAR. CANADA OFFERED CUTS, SOME CONDITIONAL, AVERAGING ABOUT 50 PERCENT ON 21 ITEMS REPRESENTING \$147 MILLION OF TRADE. FURTHER IMPROVEMENT POSSIBLE IF U.S. CAN MEET CERTAIN CANADIAN REQUESTS, PARTICULARLY REGARDING POTATOES. NEXT MEETING TENTATIVELY JUNE 5. WASHINGTON GUIDANCE RE-

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QUESTED IN PARAGRAPHS 5, 11, 13, 14, AND 15.

2. CANADIAN RESPONSE BEST IN LIVESTOCK, WHERE AN APPROACH TO TARIFF HARMONIZATION IS IN SIGHT. RESPONSE IS DISCOURAGING FOR POULTRY AND EGGS (COMPLICATED BY DOMESTIC PRODUCTION QUOTAS), VEGETABLE OILS (FOR WHICH CANADIAN INTERNAL REVIEW CONTINUES), FRUITS AND VEGETABLES

(WHERE PENDING UNILATERAL ARTICLE XXVIII CHANGES WILL PROBABLY RESULT IN NET INCREASES IN BOUND CANADIAN DUTIES AND COMPENSATION TO U.S.)(SEE U.S. DEL REACTIONS IN PARAGRAPH 14). RE TOBACCO AND TOBACCO PRODUCTS, CANADA OFFERS ABSOLUTELY NO ENCOURAGEMENT. VEGETABLE PROTEIN CONCENTRATES AND ISOLATES RECOGNIZED BY CANADA AS PROPER SUBJECT FOR REMOVAL FROM BASKET CATEGORY UNDER WHICH PRESENTLY INCLUDED. HIGHLIGHTS FOLLOW:

3. LIVE CATTLE OTHER THAN DAIRY (CANADIAN 501-1) OFFERED FROM PRESENT 1 1/2 CENTS PER POUND TO 1 CENT, CONDITIONED UPON U.S. RECIPROCITY FOR LIVE CATTLE, WHICH HAS ALREADY BEEN OFFERED. THIS IS FOR HARMONIZATION IN THIS AREA.

4. LIVE SHEEP AND LAMBS (502-1) OFFERED FREE. CANADIAN SPOKESMAN SAYS OFFER UNCONDITIONAL, ALTHOUGH U.S. NOTES INDICATE OTHERWISE. WE WILLING ACCEPT CANADIAN INTERPRETATION. LIVE GOATS, PRESENTLY SAME TARIFF NUMBER, TO REMAIN DUTIABLE AT 60 CENTS PER HEAD.

5. LIVE HOGS (600-1) OFFERED FREE (ALTHOUGH NOT REQUESTED BY U.S.) IF U.S. WOULD RECIPROCATATE ON TSUS 100.85 (LIVE HOGS) AND 106.40 (PORK, FRESH, CHILLED OR FROZEN). ACTION REQUESTED: PLEASE ADVISE DESIRED REACTION (SEE ALSO PARAGRAPHS 6 AND 9).

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6. PORK, FRESH, CHILLED OR FROZEN (704.1) OFFERED FREE CONDITIONED ON U.S. RECIPROCITY. CLAIMED U.S. NOT RESPONSIVE ON TSUS. TARIFF LINES: 107.10 (FRESH PORK SAUSAGES); 107.20 (CANNED BEEF SAUSAGES); 107.2520 (OTHER BEEF SAUSAGES); 107.2540 (OTHER SAUSAGES); 107.30 (PORK, PREPARED OR PRESERVED, NOT CANNED); 107.35 (BONED, COOKED, AIRTIGHT CONTAINERS); 107.45 (BEEF AND VEAL, CURED OR PICKLED, OVER 30 CENTS LB.) AND 107.50 (SIC) AND 107.60 (OTHER BEEF AND VEAL, P & P, OVER 30 CENTS LB). BUT IN REGARD TO AT LEAST 107.30, SEE PARAGRAPH 9.

7. EDIBLE MEAT OFFALS (707-1). OFFER TO REMOVE DUTY CONDITIONED ON U.S. RECIPROCITY ON TSUS 106.85 (EDIBLE OFFALS OVER 20 CENTS LB.). CANADA NOT INTERESTED IN 106.80 (UNDER 20 CENTS PER POUND), PROVIDED THAT U.S. COMMITS ITSELF TO NOT COMBINE THESE TWO CLASSES, TO ASSURE THAT THESE RATES NOT BE CONVERTED TO AN AD VAL AVERAGE THAT WOULD ERODE THE U.S. CONCESSION.

8. CANNED POULTRY (830.1): AN EX-OUT FOR CANNED TURKEY IN CANS OF 10 POUNDS OR OVER, WITHOUT QUANTITATIVE RESTRICTION ON TRADE (I.E., GENERAL LICENSE) IS OFFERED.

THIS ORAL OFFER IS THE FIRMEST TO DATE FOR THE POULTRY AREA.

9. CURED PORK NOT CANNED (1001-1). INITIAL CANADIAN "NO-OFFER" RESPONSE IS BEING REVIEWED BY CANADA IN LIGHT OF U.S. CONDITIONAL OFFER ON TSUS 107.30 (CURED PORK); ACCEPTANCE BY BOTH SIDES WOULD BE A STEP IN HARMONIZATION. U.S. CONDITION CONCERNS A CANADIAN BINDING TO FOREGO QUANTITATIVE RESTRICTIONS. CANADA DENIED THAT QUOTAS EXISTED IN PAST OR THAT THEY CONTEMPLATE QUOTAS.

10. TALLOW (1400-1): REDUCTION OFFERED FROM 10 PERCENT TO 4 PERCENT.

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11. EGGS AND PRODUCTS (1600-1, 1605-1, 1610-1): CANADA

IMPLIED THAT VOLUME OF QUOTA MIGHT BE NEGOTIABLE, AND THAT THEY WOULD CONSIDER SPECIFIC PROPOSAL. THEY VOLUNTEERED THAT "DOUBLING OF IMPORT QUOTAS WOULD NOT BE DISRUPTIVE". ANOTHER POSSIBILITY SUGGESTED BY CANADA WAS UNCHANGED QUOTA, REDUCED DUTY WHEN QUOTA IN EFFECT, BUT WITH SNAP-BACK PROVISION FOR HIGHER (PRESENT) DUTIES DURING PERIODS WHEN BASIC QUOTA MAY BE RELAXED OR SUSPENDED. ACTION REQUESTED: PLEASE ADVISE REACTION.

12. GRAIN RELATED ITEMS, RANGING FROM STARCH (3910-1) AND CORN GRITS (5410-1) AND CORN (5500-1); POSSIBLE OFFERS FOR ALL OF THESE WERE LINKED TO A CANADIAN REQUEST THAT U.S. REDUCE ITS DUTY ON CORN TO THE CANADIAN LEVEL OF 8 CENTS PER BUSHEL. CANADA RECOGNIZES THAT THIS WOULD REQUIRE CONGRESSIONAL ACTION, BUT HELD THE DISPARITY LIMITED OFFICIAL USE

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BETWEEN U.S. AND CANADIAN TARIFF LEVELS TO BE A VERY SERIOUS ISSUE WITH THE CANADIAN MINISTER OF AGRICULTURE. THE U.S. OFFER TO TIE THE U.S. DUTY ON BARLEY TO THESE ITEMS WAS REJECTED.

13. ROSEBUSHES (7945-1): CANADA OFFERED REDUCTION TO 2 CENTS PER BUSH, FROM EXISTING 3 CENT DUTY. U.S. REQUESTED 1 CENT. CANADA CLAIMS ITS OFFER MATCHES OUR OFFER. OUR RECORDS INDICATE WE OFFERED A CUT TO ZERO. ACTION REQUESTED: PLEASE CLARIFY.

14. FRUITS & VEGETABLES IN PROPOSED ARTICLE XXVII ACTION: SEPARATE CABLE WILL FOLLOW WITH PARTIAL LISTING OF ITEMS WHERE SIGNIFICANT CHANGES ARE EXPECTED. RE POTATOES: CANADA OFFERED TO REMOVE POTATOES FROM ARTICLE XXVIII CONSIDERATION IF U.S. WILL AGREE TO HARMONIZATION BOTH SEED AND FOOD AT 30 CENTS PER 100 POUNDS, WITH WHAT EX-OUTS THEY DESIRED.

16. TOBACCO ITEMS (14203 AND FOLLOWING). CANADA EXPECTS TO MEET REVERSES IN THE U.K., AND HENCE CANNOT LIBERALIZE IN TOBACCO-RELATED FIELDS.

17. DRIED BLOOD (20650) OFFERED TO FREE, AS A STEP IN HARMONIZATION.

18. EDIBLE VEGETABLE OILS -- CRUDE, REFINED, HYDROGENATED- ARE ALL DEFERRED PENDING AN INTERNAL CANADIAN REVIEW. WHETHER OR NOT OFFERS ARE FORTHCOMING WILL DEPEND UPON CANADIAN EVALUATION OF U.S. OFFERS AND AMENDMENTS THERETO. LARD OIL AND NEATS FOOT OIL (26507-1) AND OLEAIC AND STEARIC ACIDS (91510-1) JUDGED CHEMICAL AND INDUSTRIAL,

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AND HANDLED IN THAT GROUP (FORMULA CUTS OFFERED), AND
MENHADEN OIL (26507-1) IN FISH GROUP, NO CUT FROM PRESENT
15 PERCENT.

19. UNITED STATES ASKED FOR SPECIFIC RATES FOR MANY
ITEMS PRESENTLY ENTERING CANADA IN A BASKET CATEGORY,
71100-1. CANADA RESPONDED THAT--EXCEPT FOR VEGETABLE
PROTEIN CONCENTRATE AND ISOLATES--ALL OF THE ITEMS FOR
WHICH WE RAISED ISSUE WERE PROPERLY CLASSIFIABLE ON A
SPECIFIC LINE OF THE TARIFF SCHEDULE. FOR THE PROTEIN
CONCENTRATES AND ISOLATES, CONSIDERATION WOULD BE GIVEN
TO MAKING A NEW LINE. HOWEVER, CANADA SUGGESTED LINKAGE
OF EVENTUAL DUTY RATES
TO VEGETABLE OILS (PARAGRAPH 18), TO WHICH U.S. PROTESTED.
U.S. URGED ONLY MODEST DUTY FOR THE TO-BE-ESTABLISHED
ITEM.

20. MEETING APPROACHED CLOSE WITH EACH SIDE PLEADING WITH
OTHER TO IMPROVE OFFERS, BUT WITH NEITHER PREPARED TO DO
SO EXCEPT AFTER DECISIONS AT THE RESPECTIVE CAPITALS.
CANADA STATED WILLINGNESS TO MEET AGAIN PROMPTLY TO RE-
SOLVE OUTSTANDING DIFFERENCES. FOR SUCH MEETING--TENTA-
TIVELY JUNE 5--CANADA ASKED IDENTIFICATION OF U.S. PRIORI-

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TIES, MEANWHILE IDENTIFYING THEIR RACE-HORSE REQUEST AS
ONE OF LOW PRIORITY.

21. CANADA IS MEASURING THE VALUE OF THE OFFERS IT MAKES
IN TERMS OF REDUCTION IN DUTY COLLECTIONS, BOTH ABSOLUTE
AMOUNT AND PERCENT, IN CONTRAST TO THE U.S. SYSTEM OF
DEPTH OF CUT FOR X QUANTITY OF TRADE.

22. DRAFTED BY KARPOFF. MCDONALD

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